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C O N F I D E N T I A L CARACAS 000093

SIPDIS
AMEMBASSY BRIDGETOWN PASS TO AMEMBASSY GRENADA
AMEMBASSY OTTAWA PASS TO AMCONSUL QUEBEC
AMEMBASSY BRASILIA PASS TO AMCONSUL RECIFE

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SUBJECT: Cargill Takes a Hit to Protect Larger Interests

REF: 09 CARACAS 433; 09 CARACAS 290; 09 CARACAS 305; 09 CARACAS 352

CLASSIFIED BY: Steuart, Darnall, Economic Counselor, DOS, ECON;
REASON: 1.4(B), (D)

11. (C) SUMMARY: After its expropriation in March 2009, Cargill decided to accept a deal for its rice plant that did not fully reflect its value in order to protect its larger investments in Venezuela. Cargill is now, however, considering pursuing legal action due to the Government of the Bolivarian Republic of Venezuela's (GBRV) lack of payment for the rice plant and the recent devaluation of the bolivar fuerte. End Summary.

Mediation

12. (C) Ramon Sosa (protect), Director of Corporate Relations at Cargill, informed Emboffs in early December that although the transition process was friendly, the GBRV did not consider Cargill's valuation of the plant. He described that the hand-over process was conducted through voluntary mediation with the GBRV Attorney General's Office: each party was represented by a lawyer and there was also a mediator (selected by both parties). There was disagreement as to whether or not the estimated loss of future profits should be considered as part of the plant's fair market value. The GBRV rejected this and offered an estimated \$8 million, which Cargill accepted.

GBRV Future Plans for the Plant

13. (C) Sosa noted that he believed the GBRV would continue to make parboiled rice at the plant because the necessary equipment re-tooling to produce white rice would entail a complete plant overhaul. Ironically, the plant had been expropriated by the Ministry of Agriculture because it was not producing white rice (reftels). Sosa speculated that the GBRV plans to then sell a portion of the more expensive parboiled rice at the white rice price and sell the rest to private grocery stores at market rates. According to newspapers, the GBRV company "Arroz del ALBA" (ALBA's Rice) has replaced Cargill's rice operations. It is selling the parboiled rice at a higher rate than the regulated white rice price, but considerably lower than the market parboiled rice rate.

Where's the Payment?

14. (C) According to Sosa, Cargill decided not to pursue legal recourse and to accept the GBRV's offer due to its interest in maintaining its more profitable operations in Venezuela. Cargill hoped to maintain good relations with the GBRV. The GBRV took over

plant operations on December 1, 2009.

15. (C) In a meeting with the Agriculture AttachC) on January 14, Cargill senior representative Marcial Mendoza (protect) indicated that the company still has not received payment from the GBRV. The GBRV said the payment would be budgeted for the end of 2009 and paid by the end of the first quarter 2010. Because of the January devaluation of the bolivar fuerte, Cargill suspects the payment may be in jeopardy. Embassy continues to maintain close contact with Cargill to monitor the situation.
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